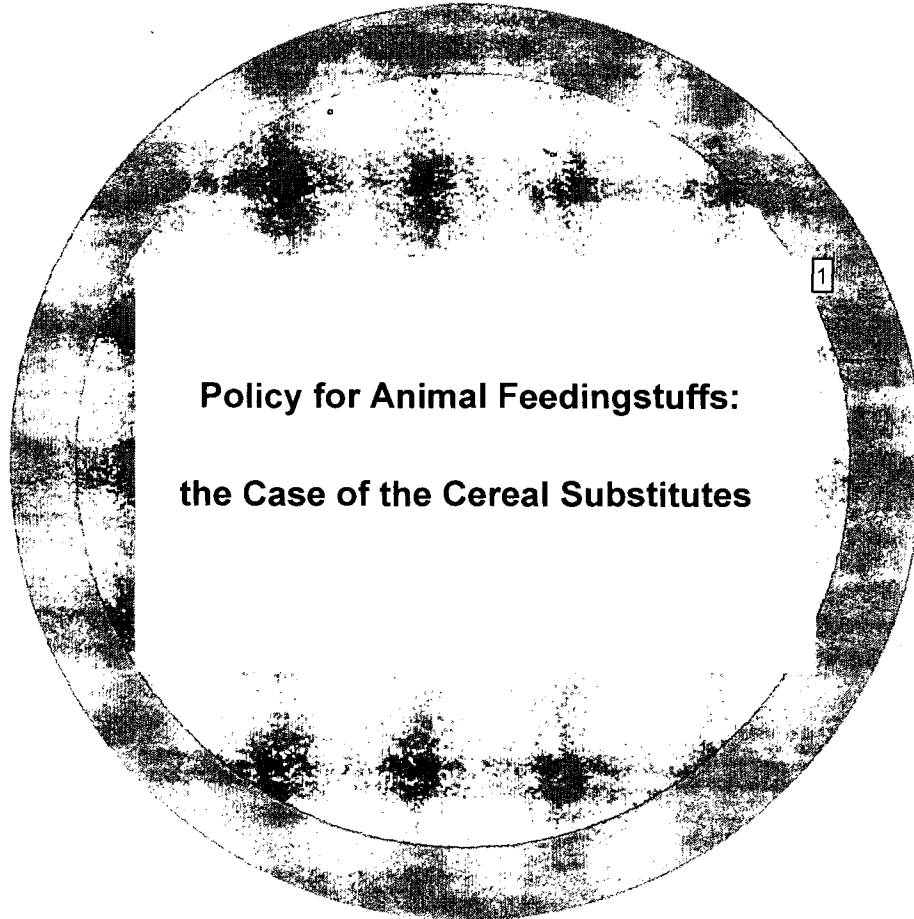


# GREEN EUROPE

NEWSLETTER ON THE COMMON AGRICULTURAL POLICY



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## IX — A - Policy for animal feedingstuffs : the case of the cereal 'substitutes'

245. Almost 60% of the Community's final agricultural production is composed of the principal animal products — meat, milk and eggs. The volume of production in important sectors such as pigmeat and milk production has been rising steadily. The remarkable technical and managerial improvements made by farmers and processors together in recent years should be a source of pride to the Community. In view, however, of the great importance of livestock production to the Community's economy and the narrow margins within which some sectors of this production work, it is all the more important that there should be a stable and coherent policy for animal feedingstuffs and that potential difficulties should be confronted now.

246. The Community's approach on animal feedingstuffs has been based on the following elements :

- maximum effective use of our substantial natural resource of forage crops, in particular grass. These forage crops are the largest source of our animal feed, representing about 56% of the total forage units (FU) or 62% of the total nitrogenous matter (TNM). Permanent and semi-permanent pastures alone still provide about half of the total feed used, although forage maize continues to increase;
- maximum effective use of our own cereals for animal feed, coherently with the support for cereals producers themselves. In particular, it is our intention to maximize this usage, not by consumption or other subsidies, but by establishing and maintaining the price relationship between cereals which favours this result. In particular, this cannot be achieved unless we support feed wheat at the single feed-cereal intervention price and do not artificially seek to support it at the level of the reference price which is intended to relate to breadmaking wheat of average quality;
- free access to world supplies of the major proteins such as soya cake and meal. It is this element of policy which has given rise to a part of the Community's

large deficit in agricultural trade with the United States and has made difficult the restraint of production rising in excess of demand. On the positive side, however, it has undoubtedly contributed substantially to the holding down of production costs and to technical efficiency;

- encouragement of available sources of Community-produced protein. Under this heading we should include the schemes for the support of the production of peas, beans and dehydrated fodder for animal feed. In addition, there is substantial aid for the use of skimmed milk and skimmed-milk powder in animal feed, which is inextricably linked with the support of the milk market itself.

247. Into this schema there has come increasingly in recent years another element, the so-called cereal 'substitutes'. These are products such as manioc (tapioca), fruit pulps, citrus pulps and by-products of milling, starch manufacture, brewing, distilling and perhaps in the future the manufacture of alcohol for fuel. The question of the so-called cereal 'substitutes' has been extensively discussed in the last year or two. It is indeed an important issue for the common agricultural policy. The balance sheet of advantages and disadvantages needs to be drawn up on a careful and factual basis, since it is surprising what strong feelings have been aroused on many sides by such dull and starchy products as tapioca.

248. Why has there been a place on the Community market for increasing quantities of cereal 'substitutes'? In order to answer this question and to assess the economic consequences, it is essential to keep in perspective the development of the Community's own cereals and intensive livestock production. The key elements are as follows. First, the Community's own production of cereals, on the solid basis of the Community's market organization and of important advances in farmers' application of improvements in plant breeding and agricultural technology, has been moving ahead fast. The production of common (or soft) wheat in 1980/81 is expected to be about 30% higher than it was only a few years ago (1975/76-1977/78) and the trend is clearly upwards. The figures are :

Community production of common wheat

<i>(mio t (usable))</i>					
1975/76	1976/77	1977/78	1978/79	1979/80	1980/81 (forecast)
33.5	35.3	35.9	43.6	42.9*	47.5

\* Eurostat estimate.

As a producer of wheat the Community does not fall far behind the United States and is two to three times as large as Canada, Australia or Argentina. The pattern remains, however, that the Community is a substantial importer of strong wheat, principally from North America, for the manufacture of certain types of bread (about 3.2 million tonnes in 1979/80) and at the same time a supplier of common wheat to the world market (about 5 million tonnes of grain in 1979/80).

In a world which is very hungry there is clearly a commercial demand for our wheat exports — currently about 40% go to countries with a *per capita* income below USD 750 — and for wheat in the Community's food-aid programme. In so far, however, as cereal 'substitutes' replace the use of our own cereals in the internal market and displace them into exports, there is a budget cost.

249. The Community's production of feed grains is also moving upwards because of the same factors — a stable agricultural policy, farmers' efficiency and the contribution of agricultural science and development. The figures for barley are :

Community production of barley

(mio t (usable))

1975/76	1976/77	1977/78	1978/79	1979/80	1980/81 (forecast)
32.2	29.8	37.3	39.2	38.6*	39.8

\* Eurostat estimate.

The Community is a substantially bigger producer of barley than the United States and under certain circumstances it has been the main source of barley for world markets. By most criteria production is very efficient. The pattern remains that the Community is a substantial importer of maize for its livestock production (about 10 million tonnes in 1979/80) and an exporter of barley. Thus imports of cereal 'substitutes' can have two effects: some reduction in maize imports, principally from the United States, and some diversion of the Community's barley into export markets. Both are disadvantageous to the Community's budget either through a loss of revenue on maize imports or a higher cost of export refunds for barley.

250. A simple calculation which expresses the 1979/80 imports of manioc (tapioca), maize gluten feed and cereal brans as equivalent to about 8.9 million

tonnes of feed grains and assumes that this quantity has been displaced from the Community market would show a net cost to the Community budget as a result of the import of these cereal 'substitutes' of almost 400 million EUA. It should not be assumed, however, that in practice the use of our own barley, wheat and maize for animal feed has been falling in absolute terms. On the contrary, it is a principal objective of the revised support system (the 'silo system') for cereals that the price relationships should encourage the disposal of the Community's own feed grains for animal feeding within the Community itself. Recent management of the market by the Commission has certainly contributed to this objective: in 1979/80 and, it is forecast, again in 1980/81, about 7 million tonnes of wheat of Community production will be sold for animal feeding within the Community, an increase of about 30% by comparison with 1975/76-1977/78.

The place for cereal 'substitutes' on the Community market is, of course, a function of their lower price and of the expansion of the market as the Community's livestock production has increased.

251. The development of livestock production is the second key element in the assessment of the growth of imports of cereal 'substitutes'. In recent years the pattern of meat consumption in the Community has changed considerably. Total consumption per head has risen from about 73 kg in 1968 to about 84 kg in 1977. At the same time the share of beef has tended to stagnate while the share of pigmeat and poultry has risen. Although the percentage growth in poultry production and consumption has been large, in tonnes of meat consumed the growth of pigmeat consumption has been greater. Pigmeat is now by far the most important meat in the diet of the Community consumer. The shares of consumption are:

Community consumption of meat  
(including offal)

(%)

	1970	1980 (forecast)
Pigmeat	38	42
Beef and veal	33	27
Poultry	13	17
Other	16	14

252. The growth of the production and consumption of pigmeat and poultry has been associated in particular with low-cost feed systems in which cereal 'substitutes' such as manioc (tapioca) have played a role. It is perhaps worthwhile to stress the major and growing role of pigmeat production in the agricultural economy and in farm incomes in many parts of the Community — it is, for example, a major agricultural enterprise in Belgium and Denmark and is of great importance in Germany, the Netherlands and parts of France — and at the same time to reflect on the contribution which the expansion of pig and poultry production at low cost has made to holding down household food costs throughout the Community. It is one of the main reasons why the consumer's food bill in the Community has tended, despite the rising cost of manufacture and distribution, to rise more slowly than incomes and other forms for expenditure. All experience shows that the animal feed industry is one of the most cost-conscious industries within the Community and that the advantage has been passed on in lower costs of meat, eggs and other livestock products. Thus in Germany in a very recent period the producer's price for pigmeat was lower than in 1973 and while the all-items consumer or retail price index had risen by 4.8% on an annual basis between 1973 and 1978 the retail price of pigmeat had risen by only 3.2%.

253. It is thus in the context of rising production of cereals and livestock products that we should see the development of imports of cereal 'substitutes'. Products which are commonly cited are soya, manioc, brans and maize gluten feed. Soya is not a cereal substitute : it is a major and independent source of protein for animal production in the Community. The Commission has estimated that the Community is only about 20% self-sufficient in vegetable protein products and is continuing to make efforts to develop indigenous production, for example of dehydrated fodder, since the very high dependence on external sources of supply is considered to carry some risk. The import of soya over an import duty bound under GATT <sup>(1)</sup> of zero (beans, oilcake and meal) has developed as follows :

<sup>(1)</sup> Bound (or consolidated) under GATT means that a particular tariff or duty is fixed at a specified rate and cannot be altered (i.e. unbound) without recourse to consultation with interested parties with a view to compensation.

## Imports of soya beans and soya cake and meal

(mio t)

	1974	1975	1976	1977	1978	1979	1980 (forecast)
Soya bean	9.1	8.2	9.2	9.0	10.8	11.7	12.2
Soya cake and meal	3.4	3.4	4.2	4.1	5.8	6.2	6.4

Soya is the Community's biggest single agricultural import. From the United States alone our imports in 1979 cost 2 300 million EUA. This is a major component of the Community's huge deficit in trade with the United States.

254. The effect of setting up a system of price support with import levies for cereals and for the principal livestock products, while leaving free entry for soya and other protein products, has been to produce a certain disequilibrium in the Community's agriculture with a tendency to increase the use of supplementary feeding and more intensive systems, despite the availability for grazing livestock of an excellent and substantial indigenous resource, namely grass and other forms of forage. It is this problem which lies behind the structural changes in some branches of agriculture and, in particular, behind the growth of milk production and the consequent costs of disposal.

The Commission has stated in a recent report that 'another possibility would be to introduce a charge on vegetable oils and fats, whether produced in the Community or imported, which would be classed among own resources. Such a charge would also constitute a move towards a more closely coordinated policy on oils and fats, as suggested by the Commission in its Communication in November 1979. (1)

The Commission does not wish to take the final decision at this stage. It considers that this matter should be considered further during the period preceding Spain's accession, so that a decision can be taken at the appropriate moment.'

This is not, however, a problem of substitution of one product for another within the cereal sector.

(1) Changes in the common agricultural policy to help balance the markets.

255. Manioc, brans and maize gluten feed together with fruit pulps and residues and other by-products of brewing, distilling and starch manufacture can in some sense be considered as cereal 'substitutes', although their role in animal feeding is not directly a one-for-one replacement of other cereals. Manioc has in recent years acquired a more important role. Although it represents only about 2% of total feed usage, it represents a substantially bigger percentage of bought-in feed in some sectors and in some Member States. In association with soya or some other protein, it can replace in the compounder's formula an equivalent quantity of maize, barley or feed wheat. Manioc is imported over a levy which is bound at 6%. The growth of imports has been spectacular :

Community imports of manioc

(mio t)

1975	1976	1977	1978	1979	1980 (forecast)
2.2	3.0	3.8	6.0	5.4	5.7

It is a root crop which thrives best in tropical conditions and is widely grown for domestic food use in countries such as Brazil, Zaire and Indonesia. The Community's principal supplier is Thailand where production has been developed, particularly in the north-east of the country, with the active encouragement of some trading firms.

256. The Commission has considered that the very rapid growth in manioc imports was a destabilizing factor in the cereals market and has proposed to the Council two measures :

- that there should be a voluntary restraint agreement with Thailand. Thailand has itself had some concern about the long-term effects of a crop which can be damaging to soil fertility and about too great a dependence on a monoculture in some regions. Agreement was reached that the volume of Thai exports to the Community in 1979 would not exceed the 1978 level and in fact supplies from Thailand were lower. Discussions on a planned voluntary restraint arrangement of supplies from Thailand over a longer period are in progress and it is hoped to conclude them shortly ;
- that the import charges could be unbound. This is a necessary measure in order to prevent the orderly marketing agreed upon by the Community and Thailand, by far the principal supplier, from being undermined by a surge of imports from other sources.



257. The import of cereal brans has developed as follows :

Community imports of cereal brans

(mio t)

1975	1976	1977	1978	1979	1980 (forecast)
1.5	2.3	2.2	1.9	2.0	2.0

These products, themselves a part of cereal production, play a specific role in providing fibre in compound feeds. They are subject to the cereals levy system and are not bound. At present the levy applied is based on the starch content : it does not correspond very closely to the feeding value of the product and is equivalent to about 20-25% of the levy on the basic cereal.

258. The import of maize gluten feed has developed as follows :

Community imports of maize gluten feeds

(mio t)

1975	1976	1977	1978	1979	1980 (forecast)
0.9	1.1	1.5	1.7	2.0	2.5

Maize gluten feed, the production of which is normally linked under present circumstances with starch manufacture, contains protein (usually about 20%) and because of its other characteristics is used for the most part in the feeding of cattle, particularly dairy cows. It is thus very directly related to the volume of supplementary milk production.

The import duty is bound at zero. It is very probable that production and import of this product will increase, in particular because of the use of maize for the production of energy products.

259. There are a large number of other vegetable products which play an actual or potential role in the production of animal feed in the Community and have some spin-off effect on the management of the cereals market and on the budget. Among the most important are :

- by-products of the brewing, distilling and starch industries which provide a good source of protein. While availability of these resources within the

- Community is decreasing (accounting for 1 to 2% of total feed resources), imports appear to be increasing. These products tend to be used in different regions of the Community depending on industrial location, e.g. starch and brewing by-products are popular in the Netherlands and the United Kingdom ;
- molasses and sugarbeet pulp (by-products of sugar refineries) represent 2-3% of Community feed resources. They are mostly utilized in France, Germany and the Benelux countries, particularly in mixtures with hay, straw and silage.

Other vegetable products include citrus pulp, mango products, and wastes from the potato and maize processing industries.

260. Confronted with the range of potential cereal 'substitutes', the Community must seek to balance the interests of its livestock producers and its cereal producers and at the same time to avoid unacceptable budget expenditure. The approach set out in Point 246 remains valid. More specifically the policy objective both in respect of manioc, brans and maize gluten feed and of other potential cereal 'substitutes' must be to ensure that there is no disorderly development or growth of imports which could otherwise unbalance the cereals market and add substantial costs to the budget. It is within this approach that the Commission insists that the proposed action on manioc is necessary and that it should be brought to a conclusion speedily.